

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 654 - HB 960

March 24, 2011

SUMMARY OF BILL: Authorizes a property owner to apply with the county property assessor for classification of the property as affordable housing rental property for individuals and families whose incomes fall below 60 percent of the median incomes in their respective areas. Requires the property assessor to classify qualifying property and assess it as affordable rental property on the county tax roll at its present use value. Defines “affordable housing rental property” as residential rental property that has received a low-income housing tax credit authorized by § 42 of the Internal Revenue Code of 1986. Defines “owner” as the person or persons holding title or leasehold interest of 30 years or more to land or improvements. Defines “present use value” as the property’s actual gross income from restricted rents determined by the owner’s audited financial statements and the gross income multiplier of five.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Decrease Local Revenue – \$2,520,000

Assumptions:

- According to the Comptroller of the Treasury, and based from a sample of Section 42 housing complexes, property valuations will decrease by approximately 42 percent.
- According to the Comptroller, statewide market value is estimated to exceed \$400 million.
- According to the Comptroller, the classification rate is 40 percent and the average tax rate is \$3.75 per \$100 of assessed value.
- The decrease to local government revenue is estimated to exceed \$2,520,000 per year ($\$400,000,000 \times 42\% \times 40\% \times 0.0375$).
- Any administrative costs associated with creating or processing an application are estimated to be not significant.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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